

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3458
July 19, 1989

R E S O L U T I O N

(RES. W-3458) GREAT OAKS WATER COMPANY (GOWC). ORDER
AUTHORIZING AN OFFSET RATE INCREASE PRODUCING \$518,561
OR 14.1% ADDITIONAL ANNUAL REVENUE.

By Advice Letter No. 122, filed June 12, 1989, GOWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates to offset: (1) a \$501,052 increase in groundwater charges, and (2) a \$17,509 increase to amortize an undercollection in its pump tax, purchased power and postage balancing accounts. GOWC serves about 17,726 metered customers in southeast San José and vicinity, Santa Clara County.

The present rates became effective on July 16, 1986 pursuant to Resolution W-3324. GOWC has never had a general rate case. Based on revenues, including this offset of \$518,561, the Branch calculated a return on rate base of 5.69%. This is well below the 11% to 12% rates of return currently realized by water companies comparable in size to GOWC.

GOWC has not applied for a general rate increase since it was certificated on December 20, 1959 by Decision No. 59173, and it is still on a minimum charge rate schedule. The minimum charge rate schedule is designed to allow a utility to recover both its fixed costs and first block quantity costs in the first block rate, which is the minimum charge. GOWC's first block is 5 Ccf. (One Ccf equals one hundred cubic feet.) Water used above the minimum is charged through declining blocks. Although GOWC's rate structure does not conform to the Commission's current policy on rate design, the Water Utilities Branch (Branch) believes that any modification of the rate structure should be addressed in a general rate proceeding where all aspects of the cost of service are reviewed. The Branch recommends GOWC's current rate structure remain intact.

Since the increase is caused primarily by changes in expenses directly related to water consumption, the Branch recommends that it be applied to quantity rates. GOWC proposes that rates for all quantities of water delivered over the minimum 5 Ccf allowed in the first block be increased by \$0.132 per Ccf, which was the method approved in GOWC's last two offset rate increases. However, the Branch recommends that all quantity rates including those for the first block be increased uniformly. The Branch recommends that rates for all quantities of water be increased by \$0.101 per Ccf.

The Branch has received the latest pump efficiency tests and found them satisfactory. Service is satisfactory. There are no Commission orders

requiring system improvement, nor are there significant service problems requiring corrective action.

Resolution W-3444, dated April 26, 1989, authorized GOWC to implement a water rationing plan to comply with Santa Clara Valley Water District's (SCVWD) mandate to reduce water usage by 25%. A water shortage currently exists within the company's service area which draws its water from the Santa Teresa Water Basin (Basin). The Basin is under the jurisdiction of SCVWD.

GOWC has given public notice of this increase request by mailing a notice to each customer on June 14, 1989. No customer protests or correspondence have been received. The table below shows typical bills for residential customers at various usage levels at present and Branch's proposed rates:

General Metered Service (5/8 x 3/4-inch meters)

<u>Monthly Usage</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
500 cu. ft.	\$ 3.23	\$ 3.74	15.8%
1,000	7.03	8.04	14.4
2,000	14.62	16.64	13.8
3,000	22.21	25.24	13.6
4,000	28.70	32.74	14.1
5,000	35.19	40.24	14.4

After investigation by the Branch, the Commission finds that the requested rate increase is justified, and that the Branch's recommended rates are reasonable.

THE COMMISSION FINDS, after investigation by the Branch, that the rates hereby authorized are justified.

IT IS ORDERED that Great Oaks Water Company is authorized to make effective the revised Schedule No. 1 attached to Advice Letter No. 122 and to cancel the presently effective rate schedule for water service.

This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on July 19, 1989. The following commissioners approved it:

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
Commissioners



VICTOR R. WELSSER
Executive Director

Commissioner Patricia M. Eckert,
being necessarily absent, did
not participate.